

# The Conscious Investor® Story

## From early beginnings to the Conscious Investor® Fund

My idea for investment software to emulate Warren Buffett started in 1997 when I attended the annual meeting of Berkshire Hathaway. Apart from his unparalleled investment record since 1956 with an average return of around of 20 percent per year since 1956, his integrity, wisdom and down-home common sense shone through.

My initial preparation for the project consisted of reading everything that I could lay my hands on either written by Buffett or about him. He became my research project.

It took another three years to complete the software called Conscious Investor®. At its core are databases that are updated every day with up to ten years' of fundamental data on every company listed on the ASX and the major exchanges in the US and Canada. Using high-speed mathematical algorithms, Conscious Investor® analyses thousands of data points to pinpoint great companies selling at low prices.

To be included in Conscious Investor®, each level and component had to be

- based on my study of what Warren Buffett had written or said
- grounded in common sense
- tested in individual portfolios
- subjected to large-scale rigorous back-testing studies.

The software contains a range of analytical tools that removes companies that don't meet exacting standards of financial integrity, prudence and projected performance. This filtering process in Conscious Investor® involves three steps:

- scanning the market to identify the small minority of stocks that meet the stringent financial criteria for a great company
- analysing in detail the companies that have passed initial filters as a further check
- calculating the right price to pay (or to sell) to be confident of an attractive return.

The software is unique in both its tools and the way they fit together. Three of these tools are:

- STAEGR®: This is a measure of stability that I developed. My research shows that the more stable a company has been, the more confidence we can have in its future growth, a crucial requirement for successful investing.
- Automatic computer-generated margins of safety: Just as an architectural engineer "stress tests" plans for any new project, so Conscious Investor® uses proprietary tools to stress test any potential investment before any transactions are approved. This is done in the areas of business performance, market sentiment and board dividend policy.
- Return method for calculating the price to pay or sell: Instead of using problematical calculations of value, Conscious Investor® uses proprietary methods to calculate the return that can be achieved with a high degree of confidence.

### The proof of the pudding is in the eating

On the first trading day in 2000 I formed a portfolio consisting of stocks passing through Conscious Investor® filter settings. Each calendar year since then on the first trading day this portfolio has been updated. No transactions were made at other times. Over 15 years an investment of \$100,000 would have grown to \$1,061,230.11 including dividends but before taxes and transaction costs, an average annual return of 18.4 percent.<sup>1</sup>

Now, with the Conscious Investor® Fund, it is possible to get the benefits of Conscious Investor® without having to do it yourself. Even better, the Fund also incorporates the Teaminvest approach to gaining a thorough understanding of the business, company management and future risks of potential investments. For more details, including application forms, see the Information Memorandum for the Fund.

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<sup>1</sup> This does not guarantee similar returns in the future, from either Conscious Investor® or the Fund.